

Message Text

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C O N F I D E N T I A L SECTION 01 OF 02 BONN 06861

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, EGEN, XX, GW

SUBJECT: ENERGY PREPCON BREAKDOWN LEADS TO
FUNDAMENTAL REVIEW OF FRG POLICIES TOWARD THIRD WORLD

1. SUMMARY. UNDER THE STRONG PRODDING OF CHANCELLOR SCHMIDT AND WITH THE ENTHUSIASTIC SUPPORT OF AID MINISTER BAHR, THE FRG IS UNDERTAKING A BROAD REVIEW OF ITS POLICIES TOWARD THE THIRD WORLD. THIS POLICY REVIEW IS A DIRECT RESULT OF THE BREAKDOWN OF THE ENERGY PREPCON AND ENCOMPASSES ALL OF THE ISSUES WHICH THE LDCS WANTED TO INCLUDE IN THE AGENDA FOR A FULL CONFERENCE. THE OVERALL OBJECTIVE OF THE REVIEW IS TO REASSESS FRG INTERESTS IN THE AFTERMATH OF THE PREPCON, AS THEY RELATE TO ENERGY, RAW MATERIAL SUPPLY, AND OVERALL RELATIONS WITH THE THIRD WORLD. A MORE SPECIFIC GOAL IS TO DEVELOP MORE POSITIVE PROPOSALS RELATED TO LDC GOALS, IN ORDER TO RESUME THE DIALOGUE HALTED BY THE BREAKDOWN OF THE PREPCON. THE REVIEW IS SCHEDULED TO RECEIVE CABINET-LEVEL

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ATTENTION IN MID-MAY PRIOR TO THE IEA AND OECD

MINISTERIALS. END SUMMARY.

2. AS REPORTED IN BONN 6276, CHANCELLOR SCHMIDT HAS ORDERED THE BUREAUCRACY TO UNDERTAKE A MAJOR REVIEW OF THE BROAD SCOPE OF FRG POLICIES TOWARD THE THIRD WORLD. FROM ALL ACCOUNTS THE CHANCELLOR IS CONCERNED THAT PRESENT POLICIES OF THE FRG AND OTHER INDUSTRIALIZED COUNTRIES VIS-A-VIS THE THIRD WORLD DO NOT ADEQUATELY TAKE INTO ACCOUNT CURRENT ECONOMIC AND POLITICAL REALITIES. PRESENT POLICIES ARE BEING SUBJECTED TO A THOROUGH REVIEW WITH THE REQUIREMENT THAT THE CHANCELLOR BE PROVIDED WITH A STRONG CASE TO OVERCOME PRESUMPTION THAT SUCH POLICIES ARE NO LONGER CONSONANT WITH GERMANY'S OVERALL INTERESTS.

3. ALTHOUGH THE REVIEW COULD HAVE BROAD IMPLICATIONS FOR GERMAN POLICY IN A NUMBER OF FORA, THE IMPETUS FOR IT IS THE DIRECT RESULT OF THE BREAKDOWN OF THE ENERGY PREPCON. AID MINISTER BAHR STATED IN AN INTERVIEW THIS WEEKEND THAT THE FRG WILL TAKE THE INITIATIVE IN WORKING TOWARD THE RESUMPTION OF THE PREPCON AND IT APPEARS THAT A MAJOR PURPOSE OF THE REVIEW IS TO SEEK POLICY CHANGES WHICH ENABLE THE DEVELOPED COUNTRIES TO TAKE MORE POSITIVE POSITIONS ON THIRD WORLD ISSUES. THE REVIEW IS FOCUSED ON ALL THE ISSUES WHICH THE LDGS WANTED TO INCLUDE IN THE AGENDA FOR A FULL CONFERENCE INCLUDING RAW MATERIALS, INDEXATION, FINANCIAL ASSISTANCE, MONETARY REFORM, TRADE PREFERENCES, INDUSTRIAL REDEPLOYMENT, FOOD AND FERTILIZERS, TRANSFER OF TECHNOLOGY, LONG-TERM INVESTMENTS AND PROTECTION OF THE REAL VALUE OF FINANCIAL ASSETS.

4. AN INTER-MINISTERIAL COMMITTEE, HEADED BY FORNOFF ECONOMIC DIRECTOR HERMES, HAS BEEN SET UP TO UNDERTAKE FIRST STAGES OF THIS REVIEW. AMBASSADOR ROBERT, WHO HAD BEEN CALLED BACK FROM BUENOS AIRES TO LEAD FRG DELEGATION TO PREPCON, DISCUSSED THIS COMMITTEE AT SOME LENGTH WITH

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AMBASSADOR GREENWALD DURING THE LATTER'S VISIT TO BONN ON APRIL 24. ROBERT, WHO HAS CANCELLED HIS PLANS TO RETURN TO ARGENTINA (ON A PERMANENT BASIS), WILL FILL A NEWLY-CREATED POST OF AMBASSADOR-AT-LARGE, RESPONSIBLE FOR REPRESENTING FRG AT SUB-MINISTERIAL MEETINGS DEALING WITH LDC/DC ISSUES. HE WILL THUS BE CLOSELY ASSOCIATED WITH WORK OF THIS COMMITTEE. THE COMMITTEE ITSELF IS ALREADY MOVING RAPIDLY. IN

ADDITION TO LENGTHY INTER-MINISTERIAL DISCUSSIONS,
IT MET THE EVENING OF APRIL 24 WITH TRADE AND INDUSTRY
LEADERS TO START BRINGING THEIR VIEWS INTO THE POLICY
REVIEW. PRELIMINARY CONCLUSIONS ARE SCHEDULED TO BE
COMPLETED IN SECOND WEEK OF MAY, FOR CONSIDERATION BY

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 06861

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SPECIAL CABINET-LEVEL GROUP ON OR ABOUT MAY 15-16.
AMBASSADOR ROBERT STATED THAT THE GOAL OF THIS FIRST
STAGE OF THE STOCK-TAKING IS TO HAVE OUTLINES OF NEW
POLICIES IN PLACE AS GUIDANCE FOR FRG PARTICIPATION
IN IEA AND OECD MINISTERIALS.

5. ONE POLICY OPTION CURRENTLY BEING GIVEN SERIOUS
CONSIDERATION IS THAT OF ACCEPTING THE OPEC/LDC
DEMAND THAT ANY MAJOR PRODUCER/CONSUMER CONFERENCE
PROVIDE EQUAL WEIGHT TO THE PROBLEMS OF RAW MATERIALS
AND DEVELOPMENT AS WELL AS ENERGY. IN A RECENT
CONVERSATION WITH THE ECONOMIC/COMMERCIAL MINISTER,
HERMES DISCOUNTED POSSIBILITY OF EARLY RESUMPTION OF
PREPCON. HE MENTIONED, HOWEVER, THAT THE DIALOGUE

MIGHT BE A LARGER CONFERENCE STRUCTURED ALONG THE LINES OF THE OPEC/LDC DRAFT WITH A TEN-MEMBER STEERING COMMITTEE IN CHARGE OF CONTROLLING THE CONFERENCE. A STEERING COMMITTEE COULD THEN SEE TO IT THAT ENERGY RECEIVED THE PROPER ATTENTION. AMBASSADOR ROBERT ON THE OTHER HAND REFERRED TO THE POSSIBILITY OF A CSCE-TYPE CONFERENCE WHICH WOULD BE IN CONTINUOUS

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SESSION FOR AN EXTENDED PERIOD OF TIME. (CHANCELLOR SCHMIDT HAS LONG FAVORED THE IDEA OF AN EXTENDED DIALOGUE WITH A SERIES OF MEETINGS RATHER THAN ONE DISCRETE CONFERENCE.)

6. IT IS OF COURSE TOO EARLY TO TELL WHETHER THIS POLICY REVIEW WILL LEAD TO ANY FUNDAMENTAL CHANGES IN TRADITIONAL FRG POLICIES. WHAT IS CLEAR, HOWEVER, IS THAT THE VARIOUS MINISTRIES ARE TAKING THIS REVIEW SERIOUSLY AND THAT THE AID MINISTRY IN PARTICULAR IS MAKING A DETERMINED EFFORT TO SHIFT THE FOCUS OF EXISTING POLICIES MORE IN ACCORD WITH VIEWS OF MODERATE LDCS.

7. EMBOFF RECENTLY ALSO DISCUSSED THE POLICY REVIEW WITH DR. WIESEBACH, DIRECTOR OF THE OFFICE FOR POLICY PLANNING IN THE AID MINISTRY. WIESEBACH INDICATED THAT HIS OFFICE IS GIVING SERIOUS CONSIDERATION TO MERITS OF A NUMBER OF LDC GOALS, INCLUDING:

- 1) COMPREHENSIVE ORGANIZATION OF COMMODITY MARKETS AS ADVOCATED BY LDC MODERATES.
- 2) INDEXATION OF LDC EXPORTS, BUT ON BASIS OF PERIODIC REVIEW OF LDC TERMS-OF-TRADE AND CONSULTATION (WIESEBACH SAID FRG WOULD CONTINUE TO OPPOSE AUTOMATIC INDEXATION).
- 3) SDR-AID LINK, PROVIDED FUNDS WERE DISBURSED BY IBRD OR OTHER IFIS.
- 4) ENHANCED LDC ROLE IN INTERNATIONAL ECONOMIC AND FINANCIAL INSTITUTIONS.
- 5) REFORM OF UN ORGANIZATION, ALTHOUGH MORE ALONG LINES RECENTLY PROPOSED BY AMBASSADOR BENNETT THAN THOSE ADVOCATED BY LDCS.

8. COMMENT. ALTHOUGH MOST SENIOR GERMAN OFFICIALS WERE NOT UNHAPPY AT THE BREAKDOWN OF THE PREPCON, IT IS CLEAR THAT SCHMIDT AND BAHR WERE DISTURBED BY

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BROADER IMPLICATIONS OF BREAKDOWN AND CONCERNED OVER
IMMOBILISM ADHERENT IN DOING NOTHING. THERE WILL
BE DIFFERENCES OF APPROACH IN THE VARIOUS MINISTRIES
WITH ECONOMICS ON ONE EXTREME AND THE AID MINISTRY
ON THE OTHER. IN THE BROADER CONTEXT (GOING BEYOND
ENERGY) THE VOICE OF THE AID MINISTRY MAY WELL BE
GREATER THAN IN THE PAST.

HILLENBRAND

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